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August 11, 2004

Ms. Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-4615

RECEIVED

AUG 19 2004

PUBLIC SERVICE
COMMISSION

Case 2004-00324

Dear Ms. O'Donnell:

Enclosed you will find an original and ten (10) copies of the cooperative's filing for a Certificate of Public Convenience and Necessity for the construction of five district offices and service facilities. This is in compliance with 807 KAR 5:001, Section 9, of the Rules of Procedure.

The decision was the result of a careful review process that had taken place over the past year. The cooperative's Board of Directors has approved the construction of new facilities.

The new facilities will be located in Pulaski, McCreary, Clinton, Russell, and Wayne Counties. Pending review and approval by the Commission, we would like to begin site preparation in September 2004 if possible.

Our architectural and engineering consults, CDS Associates, have advised us that if we can stay on our currently planned schedule, then the bidding process can be completed and critical site work accomplished before winter. This would allow construction work to continue through winter and facilitate construction cost savings. We understand the Commission's need for complete information to consider our request, and would sincerely appreciate any assistance you may provide in accommodating our filing as expeditiously as possible.

Should you require further information, please let us know.

Sincerely,

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION


Allen Anderson
General Manager & CEO

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
AUG 19 2004
PUBLIC SERVICE
COMMISSION

IN THE MATER OF:

APPLICATION OF SOUTH KENTUCKY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR A CERTIFICATE)
OF CONVENIENCE AND NECESSITY TO)
CONSTRUCT FIVE (5) DISTRICT OFFICES)
AND SERVICE FACILITIES)

CASE NO. 2004-00324

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

SOMERSET, KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

AUG 19 2004

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY

In the Matter of the Application)
of South Kentucky Power Electric Corporation) Case No. 2004-00324
for an Order Issuing a Certificate)
of Public Convenience and Necessity)

APPLICATION

I

The petition of South Kentucky Rural Electric Cooperative Corporation, with a post office address of Post Office Box 910,, Somerset, Kentucky 42502 designated as Kentucky 54 - Wayne states that it is a corporation with all rights, characteristics, powers, privileges, and duties shown by the records now on file in the office of the Public Service Commission of Kentucky, and that it is engaged in the rural electrification business in the counties of Pulaski, Wayne, McCreary, Cumberland, Lincoln, Rockcastle, Casey, Russell, Laurel, Clinton, and Adair, all in Kentucky, and Pickett and Scott Counties in the State of Tennessee, by and under the Rural Electrification Act and under authority contained in Kentucky Revised Statutes, Chapter 279.

II

South Kentucky Rural Electric Cooperative Corporation's Articles of Incorporation, with amendments, have previously been filed with the Commission in Case No. 96-109.

III

South Kentucky Rural Electric Cooperative Corporation's proposes to construct five (5) district offices and service facilities in Clinton, McCreary, Pulaski, Russell, and Wayne Counties of Kentucky.

IV

South Kentucky Rural Electric Cooperative Corporation will construct the proposed facilities from general funds until such time as new loan funds are needed. At that time, loan applications will be filed with the Rural Utilities Service. These loan proceeds will be used to reimburse general funds as expended and to provide money to complete the proposed facilities.

That Applicant shall finance the proposed headquarters and service facility through the use of a Rural Utilities' guaranteed Federal Finance Bank loan with a term of 35 years. No rate increase will be specifically sought for the financing and construction of these facilities. A long-term financial forecast was performed on the behalf of the cooperative by an independent person. A discussion of the planned financing is in Exhibit A – Financing.

V

That the estimated cost of the proposed facilities will be approximately \$17,314,900.

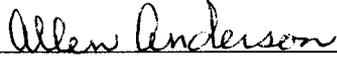
VI

The attached hereto and made a part of this Application are the following documents:

- Exhibit A Financing of New Facility
- Exhibit B Detailed Cost Estimation of Project
- Exhibit C Description of Current and Proposed Facilities
- Exhibit D Dissolution of Existing Properties
- Exhibit E Balance Sheet of June 30, 2004
- Exhibit F Statement of Operations for 12 month period of July 1, 2003 - June 30, 2004
- Exhibit G Notes Outstanding as of June 30, 2004
- Exhibit H Estimated Cost of Maintenance and Operations of the Proposed Facilities and Cost of Maintenance and Operation of the Current Facilities
- Exhibit I Floor Diagram

WHEREFORE, South Kentucky Rural Electric Cooperative Corporation of Somerset, Pulaski County, Kentucky, designated as Kentucky 54 - Wayne, pursuant to KRS 278.020, respectfully petitions this Commission as follows:

- A. To grant it a Certificate of Convenience and Necessity to construct office and service facilities.
- B. For all proper orders and relief.


Allen Anderson
General Manager and C.E.O.
South Kentucky Rural Electric Cooperative
Corporation
Somerset, Kentucky 42501
Telephone No. (606) 678-4121

STATE OF KENTUCKY
SCT)
COUNTY OF PULASKI

Subscribed and sworn to before me by Allen Anderson, General Manager
and C.E.O. of South Kentucky Rural Electric Cooperative Corporation, at Somerset,
Kentucky this 18th day of August, 2004.


NOTARY PUBLIC
State of Kentucky at Large

My Commission Expires: 4-22-06

EXHIBIT A

FINANCING OF NEW FACILITY

Financing

The cooperative plans to finance the construction of the facility through the Rural Utilities Services (RUS). The cost will be included as an amendment to our three year work plan. The funding of the work plan will be through RUS's Guaranteed Loan Program, financed by the Federal Finance Bank. RUS is aware of the cooperative's plan to include this on an amendment to the plan.

Due to the favorable current short-term lending rates, the cooperative plans to utilize Federal Finance Bank short-term funds. As of July 12, 2004, the one year FFB quarterly rates were at 2.18%. The cooperative intends to maintain the financing on a short-term basis, while monitoring interest rate trends. FFB financing will give the cooperative the option of locking in a long-term rate should interest rates begin to rise.

A list of key assumptions and key results of the financial forecast are included on the following four pages. Mr. Jim Adkins, of Lexington, Kentucky, performed the independent financial analysis for Management and the Board of Directors.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

KEY ASSUMPTIONS
IN FINANCIAL ANALYSIS OF NEW BUILDINGS

1. An increase in rates will be needed in 2007 for distribution revenue requirement purposes with or without the new buildings.
2. Average revenue per kWh for 2003 is the basis for future revenues for each rate class.
3. All increases in revenue requirements with the exception stated in Number 1 above are due to increases in wholesale power costs which are automatically flowed through to retail customers.
4. No G&T capital credits are paid but an allocation of \$150,000 is made each year of the forecast period.
5. Interest rates for new borrowing are 5%.
6. All expansion in total utility plant is funded 60% by Debt and 40% by internal funds.
7. Distribution capital credits are paid on the basis of 2.0% of the previous year's equity level.
8. Expenses for operations, maintenance, customer accounts, administrative and general and depreciation are based on historical averages for 2001 – 2003.
9. Plant expansion and plant retirement are based the current work plan.
10. Load growth is based on the South Kentucky' most recent load forecast
11. Purchased power costs are based on EKPC's Financial Forecast approved in January 2004.
12. All non-operating margins are based on general fund levels.
13. All other electric revenue is based on total revenue from rates.
14. The cost of all of the Office Buildings is estimated to be a net amount of \$17,325,000.

EXHIBIT A

SOUTH KENTUCKY RECC SOMERSET, KENTUCKY

IMPACT OF NEW BUILDINGS UPON THE FINANCIAL FORECAST

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$
Rate Increases										
Forecast w/o buildings	0	0	0	3,632,904	0	0	0	0	0	0
Forecast w/buildings	0	0	0	4,735,285	0	0	0	0	0	0
Change due to buildings	0	0	0	1,102,382	0	0	0	0	0	0
Distribution O&M										
Forecast w/o buildings	13,704,956	14,360,856	15,031,899	15,723,053	16,430,532	17,150,886	17,890,467	18,652,434	19,438,197	20,245,492
Forecast w/buildings	13,704,956	14,360,856	15,169,873	15,768,559	16,881,642	17,561,760	18,260,003	18,979,498	19,721,620	20,484,071
Change due to buildings	0	0	137,974	45,506	451,110	410,873	369,536	327,064	283,423	238,579
Depreciation										
Forecast w/o buildings	3,739,593	3,950,799	4,166,451	4,387,958	4,615,495	4,849,243	5,089,399	5,336,125	5,589,647	5,850,161
Forecast w/buildings	3,739,593	3,950,799	4,215,645	4,861,111	5,088,648	5,322,396	5,562,542	5,809,278	6,062,801	6,323,314
Change due to buildings	0	0	49,194	473,153	473,153	473,153	473,153	473,153	473,153	473,153
Interest Expense										
Forecast w/o buildings	3,279,907	3,450,159	3,635,950	3,831,394	4,046,843	4,263,391	4,486,605	4,705,326	4,930,249	5,156,992
Forecast w/buildings	3,279,907	3,450,159	3,657,555	4,107,347	4,555,472	4,770,888	4,988,560	5,200,621	5,418,550	5,637,950
Change due to buildings	0	0	21,605	275,953	508,629	507,496	501,955	495,295	488,302	480,958
Margins										
Forecast w/o buildings	821,146	876,689	(800,710)	3,831,394	3,564,633	3,212,975	2,903,853	2,483,797	2,065,785	1,783,716
Forecast w/buildings	821,146	876,689	(1,010,571)	4,107,347	3,122,215	2,843,512	2,618,140	2,279,028	1,949,643	1,768,448
Change due to buildings	0	0	(209,860)	275,953	(442,419)	(369,463)	(285,713)	(204,770)	(116,142)	(15,267)

EXHIBIT A

SOUTH KENTUCKY RECC SOMERSET, KENTUCKY

IMPACT OF NEW BUILDINGS UPON THE FINANCIAL FORECAST

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$
Revenue Per Member										
Forecast w/o buildings	1,174	1,243	1,241	1,316	1,355	1,388	1,459	1,506	1,517	1,567
Forecast w/buildings	1,174	1,243	1,241	1,333	1,373	1,406	1,478	1,524	1,535	1,585
Change due to buildings	0	0	0	17	18	18	18	18	18	19
Average Revenue per KWH										
Forecast w/o buildings	\$ 0.0641	\$ 0.0657	\$ 0.0644	\$ 0.0671	\$ 0.0685	\$ 0.0696	\$ 0.0722	\$ 0.0741	\$ 0.0742	\$ 0.0756
Forecast w/buildings	\$ 0.0641	\$ 0.0657	\$ 0.0644	\$ 0.0680	\$ 0.0694	\$ 0.0705	\$ 0.0731	\$ 0.0750	\$ 0.0751	\$ 0.0765
Change due to buildings	\$ -	\$ -	\$ -	\$ 0.0009	\$ 0.0009	\$ 0.0009	\$ 0.0009	\$ 0.0009	\$ 0.0009	\$ 0.0009
Average Investment per Member										
Forecast w/o buildings	\$ 2,397	\$ 2,427	\$ 2,428	\$ 2,500	\$ 2,566	\$ 2,627	\$ 2,680	\$ 2,723	\$ 2,756	\$ 2,782
Forecast w/buildings	2,397	2,427	2,442	2,664	2,719	2,771	2,816	2,852	2,879	2,900
Change due to buildings	\$ -	\$ -	\$ 14	\$ 164	\$ 154	\$ 144	\$ 136	\$ 128	\$ 122	\$ 118
Total Utility Plant										
Forecast w/o buildings	136,862,728	144,592,509	152,484,996	160,591,758	168,919,223	177,474,012	186,262,944	195,293,045	204,571,548	214,105,907
Forecast w/buildings	136,862,728	144,592,509	154,285,406	177,908,358	186,235,823	194,790,612	203,579,544	212,609,645	221,888,148	231,422,507
Change due to buildings	-	-	1,800,410	17,316,600	17,316,600	17,316,600	17,316,600	17,316,600	17,316,600	17,316,600
Total Assets										
Forecast w/o buildings	144,176,229	148,889,862	151,938,966	159,724,932	167,213,086	174,401,480	181,229,413	187,725,982	193,850,574	199,630,025
Forecast w/buildings	144,176,229	148,889,862	152,809,351	170,185,182	177,221,546	183,975,393	190,398,668	196,570,284	202,455,249	208,090,450
Change due to buildings	-	-	870,386	10,460,249	10,008,460	9,573,912	9,169,256	8,844,302	8,604,674	8,460,425

EXHIBIT A

SOUTH KENTUCKY RECC SOMERSET, KENTUCKY

IMPACT OF NEW BUILDINGS UPON THE FINANCIAL FORECAST

	<u>2004</u> \$\$	<u>2005</u> \$\$	<u>2006</u> \$\$	<u>2007</u> \$\$	<u>2008</u> \$\$	<u>2009</u> \$\$	<u>2010</u> \$\$	<u>2011</u> \$\$	<u>2012</u> \$\$	<u>2013</u> \$\$
Equity to Capital Ratio										
Forecast w/o buildings	39.29%	37.80%	35.61%	35.68%	35.59%	35.33%	34.95%	34.40%	33.72%	32.97%
Forecast w/buildings	39.29%	37.80%	35.23%	33.29%	33.14%	32.87%	32.52%	32.05%	31.46%	30.85%
Change due to buildings	0.00%	0.00%	-0.38%	-2.39%	-2.46%	-2.46%	-2.43%	-2.36%	-2.26%	-2.13%
Times Interest Earned Ratio										
Forecast w/o buildings	1.25	1.25	0.78	2.00	1.88	1.75	1.65	1.53	1.42	1.35
Forecast w/buildings	1.25	1.25	0.72	2.00	1.69	1.60	1.52	1.44	1.36	1.31
Change due to buildings	-	-	(0.06)	(0.00)	(0.20)	(0.16)	(0.12)	(0.09)	(0.06)	(0.03)
Debt Service Coverage										
Forecast w/o buildings	2.17	2.17	1.70	2.73	2.57	2.44	2.29	2.18	2.07	1.96
Forecast w/buildings	2.17	2.17	1.65	2.79	2.42	2.30	2.16	2.09	2.00	1.92
Change due to buildings	-	-	(0.04)	0.06	(0.15)	(0.14)	(0.13)	(0.10)	(0.07)	(0.04)
Equity Asset Ratio										
Forecast w/o buildings	34.68%	33.50%	31.65%	31.90%	31.99%	31.90%	31.69%	31.31%	30.78%	30.18%
Forecast w/buildings	34.68%	33.50%	31.33%	29.98%	29.98%	29.84%	29.64%	29.29%	28.83%	28.34%
Change due to buildings	0.00%	0.00%	-0.32%	-1.92%	-2.02%	-2.06%	-2.05%	-2.01%	-1.94%	-1.84%
Operations TIER										
Forecast w/o buildings	1.11	1.12	0.63	1.86	1.74	1.61	1.50	1.39	1.28	1.21
Forecast w/buildings	1.11	1.12	0.58	1.88	1.59	1.50	1.43	1.34	1.26	1.22
Change due to buildings	-	-	(0.06)	0.01	(0.14)	(0.11)	(0.08)	(0.05)	(0.02)	0.00

EXHIBIT B

DETAILED COST ESTIMATION OF PROJECT

**Headquarters and Service Facility
Budget Cost Estimation
June 2004**

<u>Item</u>	<u>Area</u>	<u>Subtotal</u>
Somerset	84,900 SF	\$ 10,188,000
Albany	16,000 SF	\$ 1,581,250
Monticello	16,000 SF	\$ 1,607,150
Russell Springs	16,000 SF	\$ 1,589,100
Whitley City	16,000 SF	\$ 1,506,500
Geotech Engineering		\$ 25,000
Furnishings		\$ 700,000
Communication Equipment		\$ 348,300
*A/E Fees		\$ 1,665,000
Project Contingency		<u>\$ 823,600</u>
Total		\$ 20,033,900

*A/E Fees Include:

Schematic Design, Design Development, Construction Documents, Bidding, Construction Administration, Construction Management, Architectural, Structural, Mechanical, Electrical, Plumbing, Civil, Surveying, and Landscape design.

EXHIBIT C

DESCRIPTION OF CURRENT AND PROPOSED FACILITIES

Current Facilities

Somerset

The buildings have had various additions and remodeling projects since the original building was built in 1951. The current site has clearly served its effective life and the acreage that is available.

The current facility has 21,704 square feet of office space, 29,580 SF of climate control garage, warehouse and shops, 10,225 SF of colds storage and parking and 2,436 SF for the community room.

The aged buildings has limitations on compliance with the American Disability Act and OSHA regulations.

Our members and employees are subjected to safety issues as they access and egress from the facilities due to the location of the building being close to a very busy street and the drive thru window lane being just a few feet from the front door. The employee and member parking areas are located on a paved lot which has a steep downward grade when approaching the front of the building toward the front door and subjects patrons to slips when the surface is wet or frozen. The lower parking and warehouse facilities are subjected to flooding during heavy rains.

The work spaces are fragmented with same or like functions separated on different floors and or areas of the facility creating a potential loss of productivity and efficiency. Employees are often looking for meeting space with fellow employees and members. The fragmented work area makes it very difficult to share and communicate with colleagues. The facility makes retrofitting most technological applications impractical.

Storage space for mandated documents and files are spread over numerous locations and levels.

Our community meeting room which is available for our members is limited to only evening and weekend use due to the lack of adequate parking area and employee traffic throughout the day.

Our annual meeting site is located at another coop property away from our current office facilities which makes for preparing for the meeting a very time consuming undertaking moving all of the items necessary to hold our membership meetings. Having the properties seperated limits our maximum use of the properties.

Albany

The building was constructed in 1967. Over the years employees have been added to the work force at the location to better serve our members.

The current building has 1,651 SF of office space, 2,293 SF of climate control garage, warehousing and shops and 841 SF for the community room.

The aged buildings has limitations on compliance with the American Disability Act and OSHA regulations.

The building does not lend to expansion or renovation due to sighting, traffic flow and available land area.

The community meeting room which is available for our members is limited to only evening and weekend use due to the lack of adequate parking area and employee traffic throughout the day.

Monticello

The building was constructed in 1959. Over the years employees have been added to the work force at the location to better serve our members.

The building has 1,320 SF of office space, 4,233 SF climate control garage, warehouse and shops, 588 SF of cold storage and 924 SF community room.

The aged buildings has limitations on compliance with the American Disability Act and OSHA regulations.

In 2001 we added a construction crew to this area to better respond to our members. These employees have to report to work at a different location in Monticello due to the limited space for warehousing, availability of parking, accessing and egression from the current office site. This separate site has limitations on having materials delivered by vendors and security issues throughout the day. While the construction crews are out in the field.

The community meeting room which is available for our members is limited to only evening and weekend use due to the lack of adequate parking area and employee traffic throughout the day.

Russell Springs

The building was constructed in 1959. Over the years employees have been added to the work force at the location to better serve our members.

The current building has 2,391 SF of office space, 2,000 SF of climate control garage, warehouse and shops, 336 SF of cold storage and 924 SF community room.

The aged building has limitations on compliance with the American Disability Act and OSHA regulations.

In 2002 we added a construction crew to this area to better respond to our members. The addition of these employees has created the need for additional warehousing, parking, increased flow for accessing and egression from the current site.

The community meeting room which is available for our members is limited to only evening and weekend use due to the lack of adequate parking area and employee traffic throughout the day.

Whitley City

The building was constructed in 1959. Over the years employees have been added to the work force at the location to better serve our members.

The current building has 1,651 SF of office space, 2,293 SF of climate control garage, warehouse and shops, 841 SF community room.

The aged building has limitations on compliance with the American Disability Act and OSHA regulations.

In 2000 we added a construction crew to this area to better respond to our members. The addition of these employees has created the need for additional warehousing, parking, increased flow for accessing and egression from the current site.

In 2004 the widening of US Highway 27 took part of the road frontage from the site which made the front of the building very close to the right of way creates a more potential safety concern for employees and members. This also adds to our existing problem of insufficient parking spaces.

The community meeting room which is available for our members is limited to only evening and weekend use due to the lack of adequate parking area and employee traffic throughout the day.

Proposed

Somerset

The new Somerset office will be built on an 80 acre site approximately 2 miles north of the existing site. The site will be just off the newly relocated US Highway 27 on Norwood Road. This location will give our members and employees better access to existing and proposed interchanges surrounding the Somerset area. The larger acreage will give us the ability to better manage the flow of traffic on the site in an effort to keep larger vehicles entering and leaving the site away from the areas in which members and employees would be entering the building to transact business.

The building will have approximately 31,900 SF of office space and 53,000 SF of warehousing. The acreage not utilized by the building will provide space for a training area for our linemen and annual meeting site. It is proposed to allow our members and the general public access to certain areas of the site when not being utilized by SKRECC as a public park or picnic area.

Albany, Monticello, Russell Springs and Whitley City

The other four new District Facilities for South Kentucky Rural Electric Cooperative Corporation (SKRECC) will be constructed at the following locations:

- | | |
|---------------------------|--|
| Whitley City Facility: | 4.3255 acre site located at 51 Center Avenue, Whitley City, Kentucky 42653 |
| Russell Springs Facility: | 8.8450 acre site located at 2405 North Main Street, Jamestown, Kentucky 42629 |
| Albany Facility: | 4.8981 acre site (more land is being acquired) located at the intersection of North Highway 127 and Highway 3156, Albany, Kentucky 42602 |
| Monticello Facility: | 9.9298 acre site located at 725 West Highway 90 Bypass, Monticello, Kentucky 42633 |

The land area impacted by the design will be approximately 4.0 to 5.0 acres, depending on the specific site, and final grading design. The projects are being designed utilizing, to the greatest extent possible, “sustainable design” principles, with the goal of producing facilities minimize their impact on the site and utilize resource and energy conserving materials, systems, and technology.

The one-story, 16,000 square foot building is comprised of two (2) major parts, which are 6,550 square feet of Office facilities, and 9,450 square feet of Service facilities. The Service and Office areas will be separated by a three (3) hour concrete masonry firewall.

The Office facilities will be constructed as follows:

- Concrete spread footings and foundation walls
- The floors will be concrete slabs, on grade.
- The exterior walls are composite masonry (concrete masonry units and brick) load-bearing walls, with metal stud furring and gypsum board on the interior. The exterior walls will have an insulation value of at least R=19.
- The roof will be steep-slope standing seam metal roof panels, over wood sheathing, over engineered wood trusses. The roof structure will have an insulation value of at least R=38.
- The interior partitions will be metal studs and gypsum board.
- The ceilings will be suspended acoustical ceiling tile systems.

The Service facility will be constructed as follows:

- Concrete spread footings and foundation walls. Retaining walls will be used at depressed interior docks.
- The floors will be concrete slabs, on grade.
- The exterior walls are factory finished metal panels, applied over a pre-engineered metal building frame system, with exposed vinyl faced insulation. The exterior walls will have an insulation value of at least R=19.
- The roof will be low-slope metal roof panels, applied over a pre-engineered metal building frame system, with exposed vinyl faced insulation. The roof structure will have an insulation value of at least R=38.

The overall facility will have the following mechanical, electrical, plumbing, and site construction:

- The heating, ventilating, and air-conditioning system will utilize geothermal heat pumps and an on-site, 300 foot deep, geothermal well field.
- Domestic water will serve the site from a water main owned by the local utility (water) company.
- All of the sites, except Monticello, will discharge sanitary sewage into the local municipal sewer system, by either gravity flow sewers or pump stations/force mains. The Monticello site will have an on-site septic system and leach field.
- Storm water will be collected on each site and discharged into an existing creek, swale, or culvert, with care being taken to not impact neighboring properties.
- Electrical power will be supplied from off-site, by SKRECC. The service will be a 208-volt, three phase service. A back-up generator will be relocated from the existing building, and installed to supply emergency power to critical operations and emergency lighting.

A SCADA (communications) tower will be erected at each site for dispatch requirements.

EXHIBIT D

DISSOLUTION OF EXISTING PROPERTIES

Dissolution of Existing Properties

The cooperative plans to sell the existing offices and farm properties as soon as practical. None of the properties will be needed after the construction and occupation of the new facilities. The cooperative also owns three small houses adjacent to the Somerset and Russell Springs Offices. These will be sold also.

All of the properties were appraised in July by Childers' Financial Services of Somerset, Kentucky. Mr. Clifford L. Childers, a Kentucky Certified General Appraiser performed the valuations. Following are the appraisal values:

Somerset	Office and Buildings	\$1,400,000 to \$1,650,000
Monticello	Office and Buildings	\$ 95,000
Albany	Office and Buildings	\$ 100,000
Russell Springs	Office and Buildings	<u>\$ 150,000</u>
	Sub Total	<u>\$ 1,995,000</u>

The value of the houses are:

931 N Main Street – Somerset (House)	\$ 80,000
933 N Main Street - Somerset (House)	\$ 84,000
1522 Steve Wariner Drive - Russell Springs (House)	\$ 110,000
West Highway 80 - Nancy (Farm)	<u>\$ 450,000</u>
Sub Total	<u>\$ 724,000</u>
Total	<u>\$2,719,000</u>

The properties will be placed on the open market at prices consistent with the appraised values. Should any of the properties be sold before completion of the new facility, sales term will stipulate that no negative impact shall occur to the cooperative's day-to-day business requirements, and that the cooperative may occupy the current facility for any necessary period of transition to the new facility.

In accordance with RUS accounting practices and regulations, the funds derived from the sale of the above property will be deposited in the cooperative Construction Fund account and reported to its RUS Form 595, Financial Requirement and Expenditure Statement and be used to reduce the borrowings on plant additions.

EXHIBIT E

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION**

BALANCE SHEET

June 30, 2004

South Kentucky Rural Electric Cooperative Corporation
Balance Sheet
As of 6/30/04

<u>Assets and Other Assets</u>		<u>Liabilities and Other Credits</u>	
Total Utility Plant in Service	\$ 132,365,728.80	Memberships	\$ 1,136,545.00
Construction Work in Progress	\$ 910,462.42	Patronage Capital	\$ 48,620,989.16
Total Utility Plant	\$ 133,276,191.22	Operating Margins - Current Year	\$ 1,407,406.09
Accumulated Provision for Depreciation	\$ (28,545,014.74)	Non-Operating Margins	\$ 174,739.00
Net Utility Plant	\$ 104,731,176.48	Other Margins & Equities	\$ 410,488.26
Non-Utility Plant - Net	\$ 188,268.11	Total Margins & Equities	\$ 51,750,167.51
Investment in Subsidiary Companies	\$ 276,276.60	Long Term Debt - RUS	\$ 61,809,489.06
Investment in Assoc. Org. - Patronage Capital	\$ 19,220,221.97	Long Term Debt - Other	\$ 12,594,249.51
Investment in Assoc. Org. - Other General	\$ 1,747,247.06	Total Long Term Debt	\$ 74,403,738.57
Total Other Property and Investments	\$ 21,432,013.74	Accum. Operating Provisions	\$ 3,609,837.69
Cash - General Funds	\$ 1,764,282.78	Total Other Non-Current Liability	\$ 3,609,837.69
Temporary Investments	\$ 8,051,958.76	Accounts Payable	\$ 4,687,408.10
Notes Receivable - Net	\$ 13,778.46	Consumer Deposits	\$ 575,484.67
Accounts Receivable - Net	\$ 2,870,483.05	Curr Maturities Long-Term Debt	\$ 2,028,432.27
Accounts Receivable - Other	\$ 241,111.38	Other Current and Accrued Liabilities	\$ 1,459,631.37
Material & Supplies - Electric	\$ 1,184,398.79	Total Current and Accrued Liabilities	\$ 8,750,956.41
Prepayments	\$ 611,960.02	Other Deferred Credits	\$ 2,908,345.71
Other Current and Accrued Assets	\$ 467,657.54	Total Liabilities and Other Credits	\$ 141,423,045.89
Total Current and Accrued Assets	\$ 15,205,630.78		
Deferred Debits	\$ 54,224.89		
Total Assets and Other Debits	\$ 141,423,045.89		

EXHIBIT F

**STATEMENT OF OPERATIONS FOR 12 MONTH PERIOD OF
JULY 1, 2003 - JUNE 30, 2004**

EXHIBIT F

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
STATEMENT OF OPERATIONS FOR 12 MONTHS ENDING JUNE 2004

	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	Year-to-Date 7/03 - 6/04
1. Operating Revenue & Patr. Capital	\$4,894,611	\$5,461,059	\$5,029,686	\$4,453,461	\$4,853,820	\$5,875,134	\$6,972,504	\$7,628,317	\$6,246,319	\$5,843,916	\$4,923,313	\$5,352,534	\$67,534,674
2. Power Production Expense	\$3,402,333	\$3,833,041	\$3,218,115	\$3,039,262	\$3,549,211	\$4,889,304	\$5,532,646	\$5,053,465	\$3,989,622	\$3,465,098	\$3,502,306	\$3,642,236	\$47,116,639
3. Cost Of Purchased Power	\$190,251	\$200,159	\$198,699	\$209,477	\$215,247	\$291,231	\$256,998	\$247,636	\$273,958	\$249,073	\$359,033	\$95,428	\$2,787,189
4. Transmission Expense	\$410,120	\$404,271	\$339,115	\$564,188	\$418,019	\$884,806	\$341,953	\$269,351	\$384,548	\$433,958	\$418,245	\$295,997	\$5,164,572
5. Distribution Exp. - Operations	\$185,879	\$261,367	\$213,708	\$240,421	\$224,729	\$289,675	\$253,561	\$231,320	\$249,997	\$258,723	\$230,085	\$236,572	\$2,876,037
6. Consumer Accounts Expense	\$46,243	\$62,077	\$53,626	\$56,865	\$46,707	\$60,014	\$70,783	\$52,878	\$59,076	\$59,594	\$27,462	\$48,393	\$643,719
7. Consumer Service & Info. Expense	\$1,102	\$1,086	\$985	\$1,092	\$970	\$2,550	\$1,484	\$1,090	\$1,218	\$1,034	\$1,034	\$1,353	\$15,315
8. Sales Expense	\$258,981	\$283,962	\$246,189	\$286,642	\$247,474	\$275,600	\$277,071	\$215,387	\$232,818	\$255,540	\$255,975	\$280,210	\$3,115,849
9. Administrative & General Expense													
10. Administrative & General Expense													
11. TOTAL OPERATION & MAINT. EXPENSE	\$4,494,908	\$5,045,964	\$4,270,437	\$4,397,947	\$4,702,358	\$6,693,181	\$6,734,495	\$6,071,127	\$5,191,369	\$4,723,204	\$4,794,141	\$4,600,190	\$61,719,320
12. Depreciation Expense	\$298,783	\$300,366	\$301,845	\$303,586	\$306,222	\$307,628	\$311,612	\$314,699	\$315,826	\$317,446	\$319,398	\$311,707	\$3,709,117
13. Tax Expense - Property													
14. Tax Expense - Other													
15. Interest on Long-Term Debt	\$262,489	\$237,139	\$267,841	\$276,599	\$264,871	\$275,700	\$275,538	\$215,927	\$259,794	\$251,255	\$256,086	\$249,831	\$3,093,072
16. Interest Charged to Constr. - Credit													
17. Interest Expense - Other	\$952	\$23,732	\$1,621	\$674	\$235	\$265	\$2,824	\$1,248	\$1,794	\$1,840	\$1,490	\$1,914	\$38,589
18. Other Deductions	\$34,225	\$6,196	\$3,167	\$2,906	\$16,346	\$3,722	(\$1,253)	\$3,230	\$13,375	\$6,039	\$9,127	\$4,224	\$101,304
19. TOTAL COST OF ELECTRIC SERVICE	\$5,091,358	\$5,613,397	\$4,844,911	\$4,981,712	\$5,290,032	\$7,280,496	\$7,323,217	\$6,606,232	\$5,782,157	\$5,299,783	\$5,380,242	\$5,167,866	\$68,661,402
20. PATRONAGE CAP. & OPERATING MARGINS													
21. Non-Operating Margins-Interest	(\$196,747)	(\$152,338)	\$184,775	(\$528,251)	(\$436,212)	(\$1,405,361)	(\$350,713)	\$1,022,086	\$464,162	\$544,133	(\$456,930)	\$184,668	(\$1,126,728)
22. Allow. For Funds Used During Const.	\$26,755	\$24,366	\$25,874	\$27,492	\$25,535	\$25,018	\$20,381	\$21,004	\$22,970	\$22,105	\$22,423	\$19,449	\$283,373
23. Income (Loss) from Equity Investments						\$127,453							\$127,453
24. Non-Operating Margins-Other	(\$9,847)	(\$12,182)	\$22,152	(\$6,285)	\$1,982	(\$3,607)	(\$8,550)	\$1,270	(\$6,015)	(\$96)	\$5,789	\$54,009	\$38,618
25. G. & T. Capital Credits						\$3,223,668							\$3,223,668
26. Other Cap. Credits & Dividends		\$70,889	\$20,379	\$2,203									\$93,471
27. Extraordinary Items													
28. PATRONAGE CAPITAL OR MARGINS	(\$179,839)	(\$69,266)	\$253,180	(\$504,842)	(\$408,694)	\$1,967,171	(\$338,882)	\$1,044,360	\$481,117	\$566,142	(\$428,717)	\$258,126	\$2,639,855

EXHIBIT G

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION**

NOTES OUTSTANDING AS OF JUNE 30, 2004

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
RUS LOANS
6/30/2004

LOAN NO.	DATE	INTEREST RATE	ORIGINAL AMOUNT	BALANCE
OB210	03/10/1972	2.0000	\$432,500	\$48,695.72
OB212	03/10/1972	2.0000	\$432,500	\$48,689.95
IB220	05/09/1974	5.0000	\$497,000	\$131,660.00
IB222	05/09/1974	5.0000	\$497,000	\$131,660.00
IB230	03/17/1975	5.0000	\$567,000	\$177,447.21
IB232	03/17/1975	5.0000	\$567,000	\$177,447.21
IB240	02/17/1977	5.0000	\$567,000	\$221,658.27
IB242	02/17/1977	5.0000	\$567,000	\$221,658.27
IB250	09/24/1977	5.0000	\$1,441,000	\$608,564.71
IB252	09/24/1977	5.0000	\$1,441,000	\$608,565.67
IB260	04/09/1979	5.0000	\$1,852,000	\$894,461.01
IB262	04/29/1982	5.0000	\$1,852,000	\$894,457.74
IB270	04/29/1982	5.0000	\$958,500	\$564,318.31
IB272	04/29/1982	5.0000	\$958,500	\$564,318.57
IB280	02/17/1984	5.0000	\$1,484,000	\$953,225.88
IB282	02/17/1984	5.0000	\$1,484,000	\$953,225.88
IB290	03/18/1986	5.0000	\$1,544,000	\$1,089,775.91
IB293	03/28/1986	5.0000	\$1,544,000	\$1,119,736.70
IB300	08/11/1989	5.0000	\$2,209,000	\$1,739,740.91
IB302	08/11/1989	5.0000	\$2,209,000	\$1,739,740.91
IB310	09/20/1991	5.0000	\$1,780,500	\$1,482,103.95
IB312	09/20/1991	5.0000	\$1,780,500	\$1,482,103.95
IB320	05/21/1993	5.0000	\$2,537,500	\$2,195,112.99
IB326	05/21/1993	5.0000	\$2,537,500	\$2,253,019.84
IB330	04/10/1997	Variable	\$4,157,500	\$3,744,021.75
IB335	06/02/1999	Variable	\$4,157,500	\$3,737,372.40
IB340	03/08/2001	5.7800	\$6,000,000	\$5,915,917.98
IB341	03/08/2001	Variable	\$5,000,000	\$4,836,981.26
IB342	03/08/2001	Variable	\$5,000,000	\$4,836,981.26
IB343	03/08/2001	4.9900	\$5,000,000	\$1,966,842.53
IB344	03/08/2001	5.4700	\$5,000,000	\$2,265,971.85
IA350	03/08/2001	5.3100	\$6,800,000	\$6,793,148.72
IA351	03/08/2001	Variable	\$6,000,000	\$5,994,054.10
IA352	01/22/2004	5.0200	\$3,000,000	\$2,996,804.26
			\$81,855,000	\$63,389,485.67

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
CFC LOANS
6/30/2004**

NOTE NO.	DATE	INTEREST RATE	ORIGINAL AMOUNT	BALANCE
9001	03/10/1972	7.0000	\$216,000	\$44,750.57
9003	05/09/1974	7.0000	\$426,000	\$131,635.98
9006	05/09/1975	5.5000	\$486,000	\$197,421.72
9009	02/17/1977	Variable	\$486,000	\$240,556.01
9011	09/24/1977	Variable	\$1,235,000	\$637,077.87
9013	04/19/1979	Variable	\$1,671,000	\$947,827.65
9017	04/29/1982	Variable	\$865,000	\$598,352.61
9018	02/17/1984	Variable	\$1,325,052	\$993,826.27
9019	03/28/1986	Variable	\$1,324,000	\$1,037,681.94
9020	08/11/1989	Variable	\$1,893,000	\$1,609,283.48
9021	09/20/1991	Variable	\$1,526,000	\$1,297,950.46
9022	07/15/1993	Variable	\$2,175,000	\$1,961,832.87
9023	01/11/1999	Variable	\$3,564,000	\$3,344,487.74
			\$17,192,052	\$13,042,685.17
			\$17,192,052	\$13,042,685.17

EXHIBIT H

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION**

**ESTIMATED COST OF MAINTENANCE AND OPERATIONS OF THE
PROPOSED FACILTIES AND COST OF MAINTENANCE AND OPERATION
OF THE CURRENT FACILITIES**

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

Annual Operating Costs for Current Facilities

<u>OPERATIONS COST</u>	<u>2003 ANNUAL COST</u>
Depreciation	\$ 58,875.66
Insurance	\$ 27,661.80
Property Taxes	\$ 11,484.98
Electric Utilities	\$ 31,065.10
Water Utilities	\$ 14,784.36
General Maintenance	<u>\$ 357,215.03</u>
Total Annual Estimated Cost	<u>\$ 501,450.93</u>

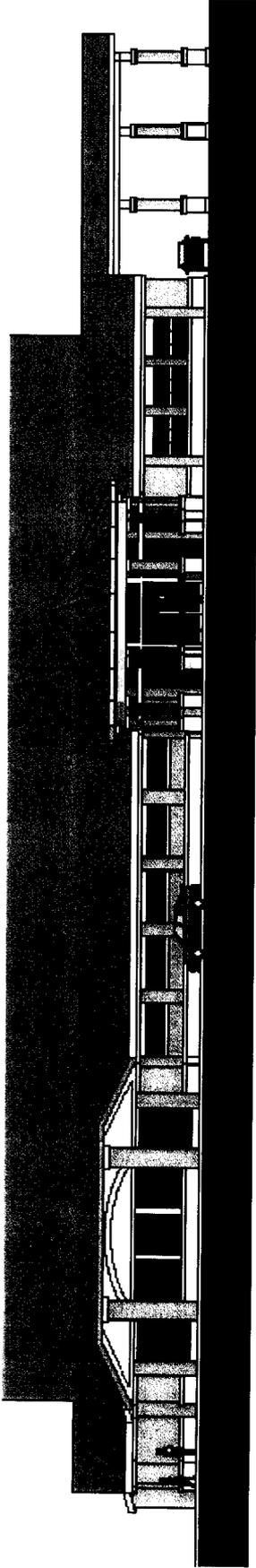
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**ESTIMATED ANNUAL OPERATING COSTS FOR NEW FACILITY**

<u>OPERATIONS COST</u>	<u>ANNUAL ESTIMATED COST</u>
Depreciation	\$ 442,610
Insurance	\$ 128,217
Property Taxes	\$ 78,779
Electric Utilities	\$ 164,482
Water Utilities	\$ 15,000
General Maintenance	<u>\$ 300,000</u>
Total Annual Estimated Cost	<u>\$ 1,129,088</u>

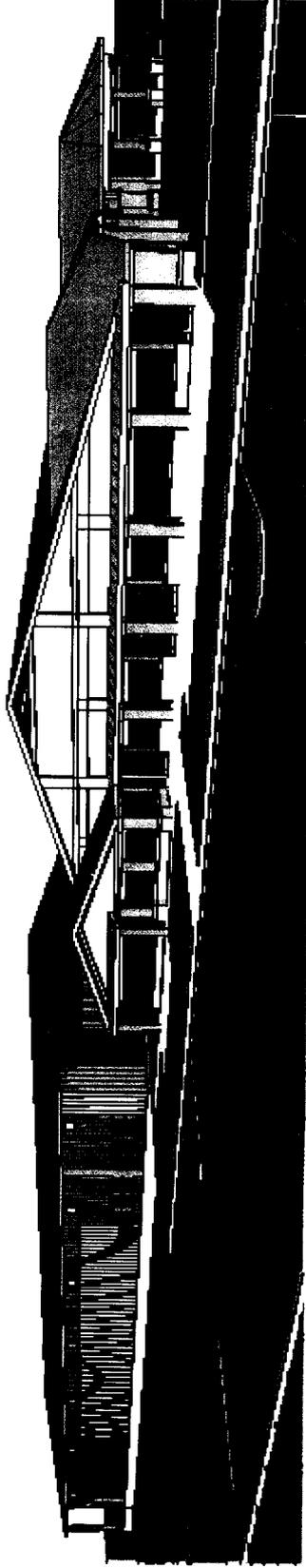
EXHIBIT I

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION**

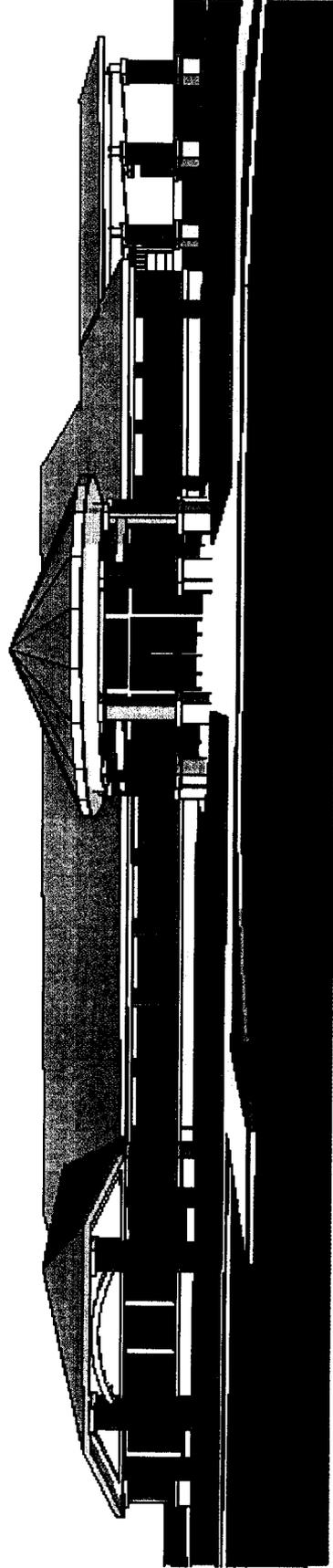
FLOOR DIAGRAM



ELEVATION AT MAIN ENTRY



PERSPECTIVE LOOKING EAST AT FULL WEST ELEVATION

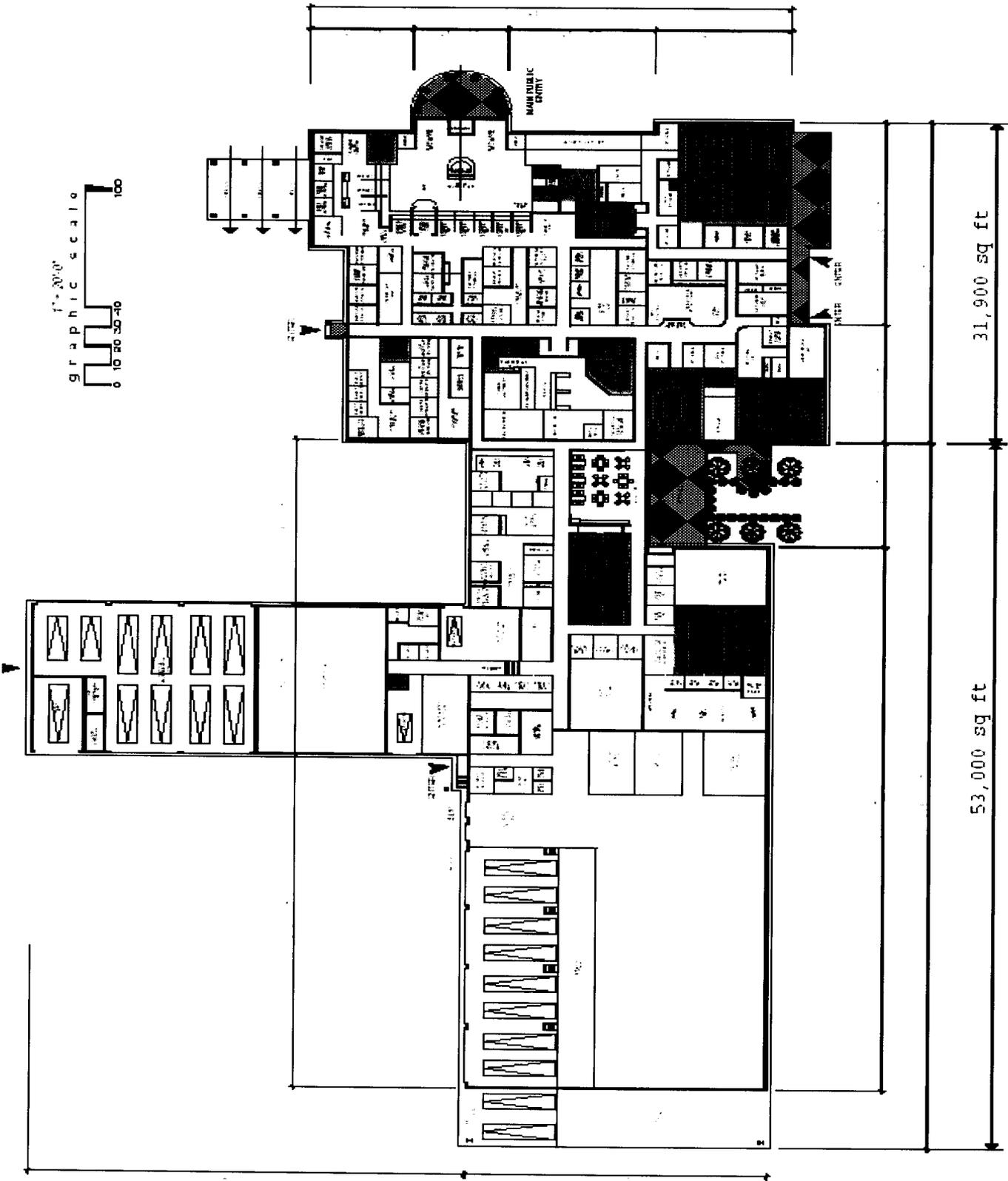
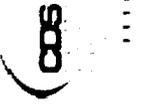


PERSPECTIVE AT MAIN ENTRY

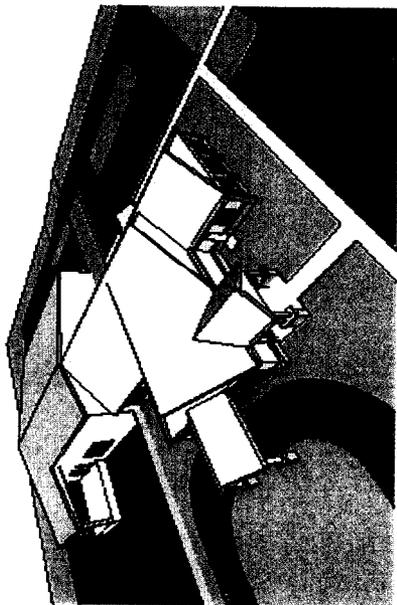
EXTERIOR VIEWS FOR REVISED

SKRECC HEADQUARTERS FACILITY

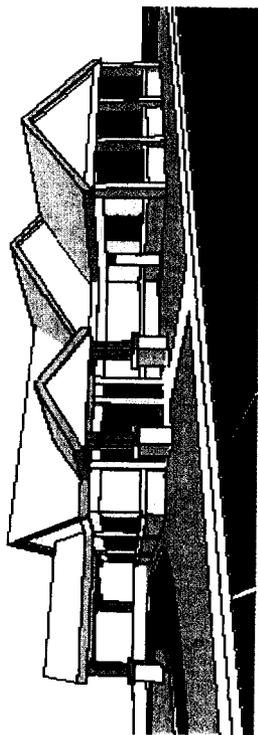
REVISED - JUNE 22, 2004



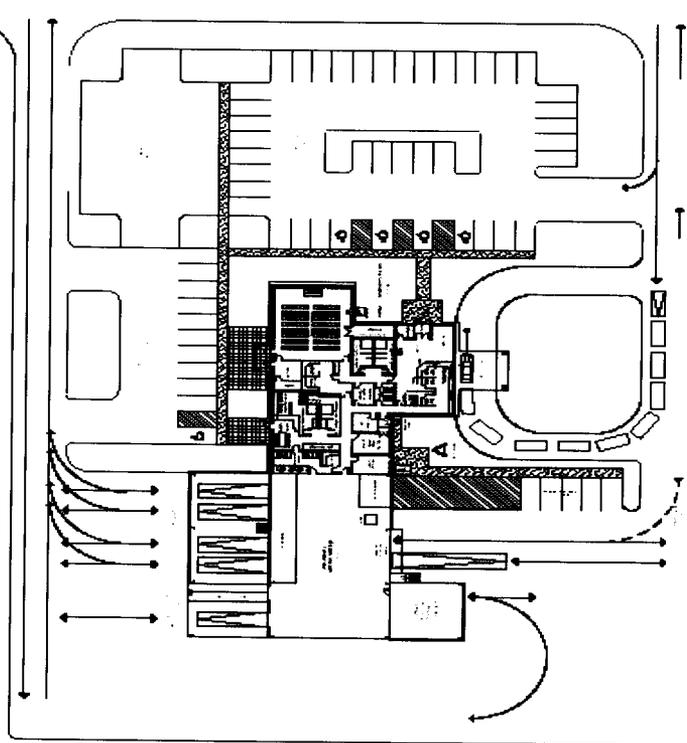
REVISED BLOCK PLAN FOR
SKRECC HEADQUARTERS FACILITY
 REVISED -MAY 12, 2004



EXTERIOR VIEW 2



EXTERIOR VIEW 1



Prototype District Office - Site and Floor Plan
REVISED - MAY 3, 2004



EXHIBIT I

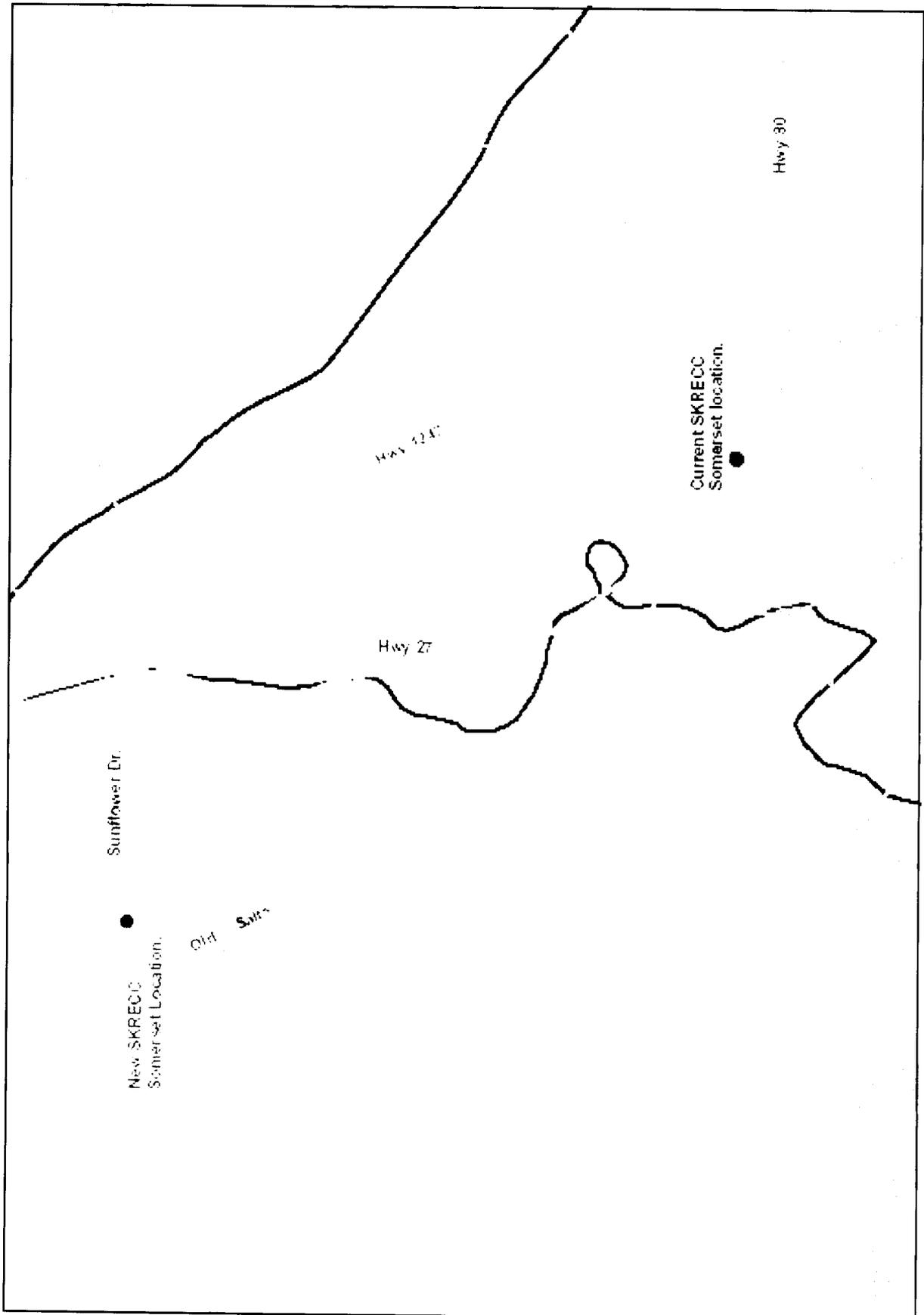
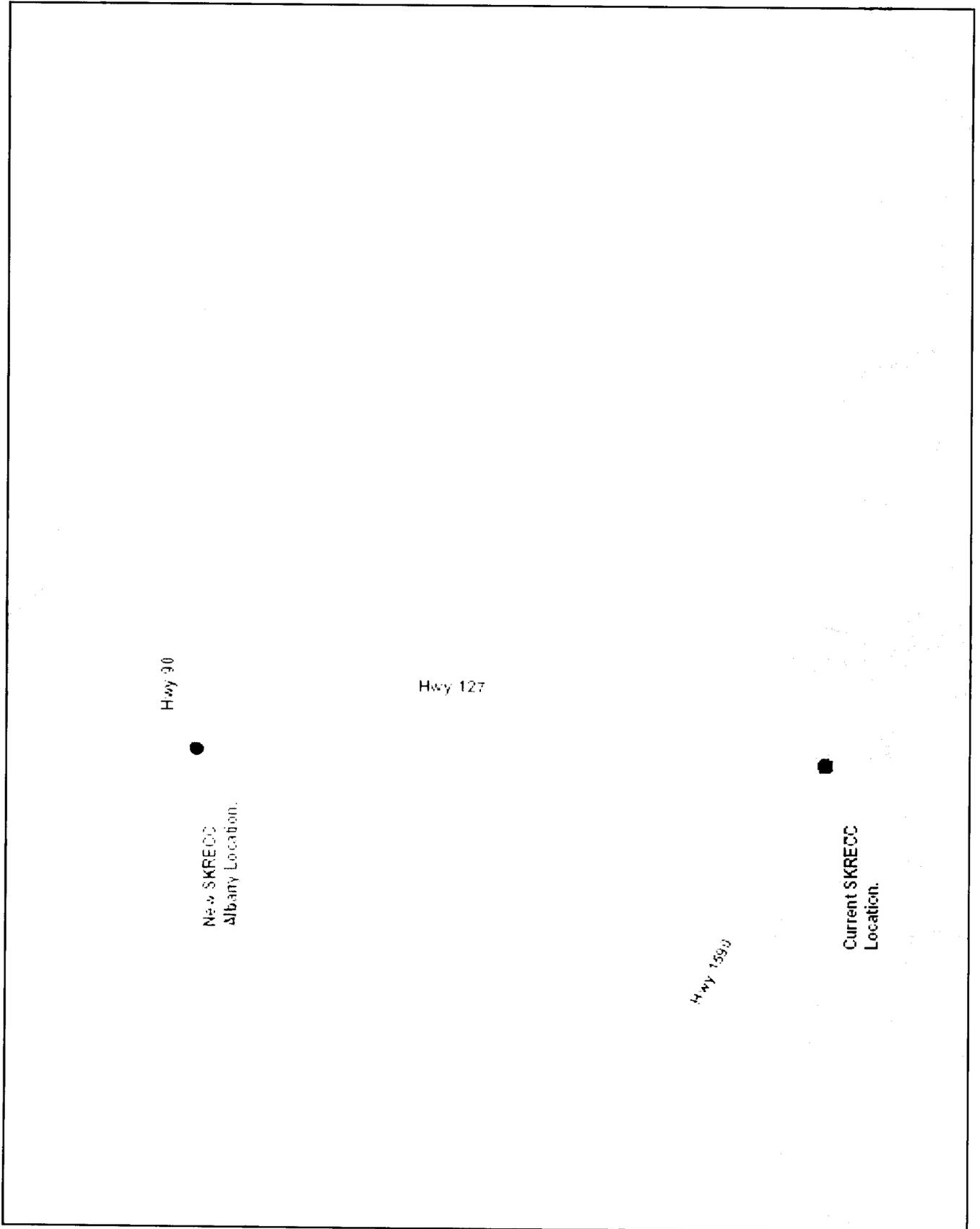


EXHIBIT I



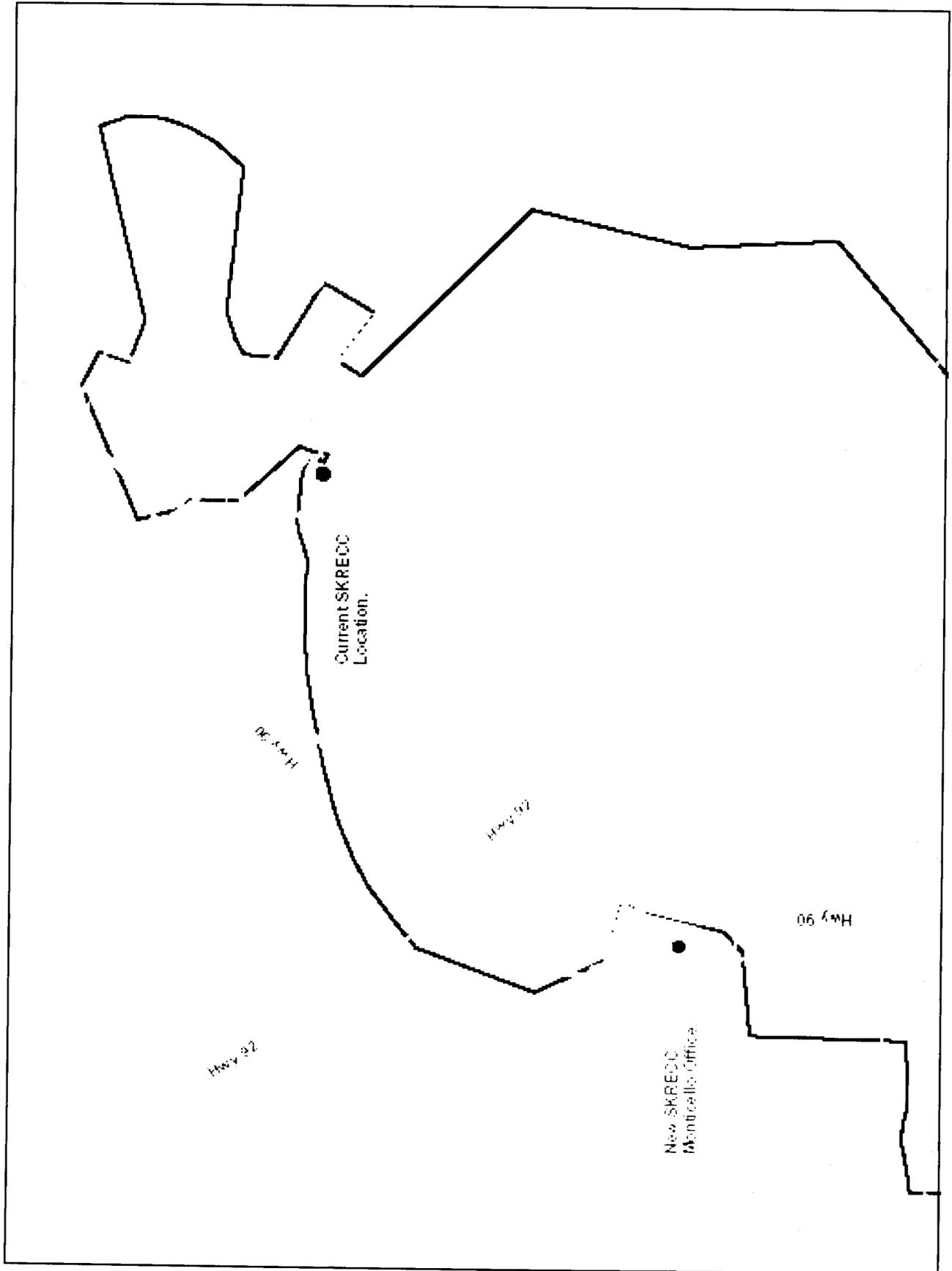


EXHIBIT I

